**BEFORE THE ADJUDICATING OFFICER**
**SECURITIES AND EXCHANGE BOARD OF INDIA**
**ADJUDICATION ORDER NO. Order/PM/PA/2021-22/15271**

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**UNDER SECTION 15-I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF THE SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995**

In respect of:

**Bankri Rudraswamy Prasanna Kumar**

**PAN: CFMPP7467M**

In the matter of Mindtree Ltd.

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## A. BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") received a letter dated October 26, 2018 from Mindtree Ltd. (hereinafter referred to as the "**Company**") informing SEBI regarding instances of violation of the code of conduct framed by the Company under the provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015 (hereinafter referred to as the "**PIT Regulations**") by two of its employees and action taken by the Company pursuant to the same. Accordingly, SEBI initiated an examination in the matter against the said two employees.

2. SEBI also initiated a separate investigation for ascertaining any violation of regulation 7(2)(a) of the PIT Regulations with regard to the transactions of promoters, directors and employees of the Company, in the Company's scrip, during the period from January 01, 2019 to March 31, 2019 (hereinafter referred to as the **"Investigation Period"**).

3. The investigation revealed that Bankri Rudraswamy Prasanna Kumar (hereinafter referred to as the "**Noticee**") was an employee of the Company

and had transacted in the Company's scrip on multiple occasions, including during the Investigation Period. It was further observed that the Noticee had done transactions aggregating to a traded value in excess of Rs 10,00,000 over the calendar quarter from January 01, 2019 to March 31, 2019.

4. Thereafter, the Company was asked to confirm whether the Company or its compliance officer had received any disclosures for trading done by the Noticee in terms of regulation 7(2)(a) of the PIT Regulations. *Vide* emails dated December 07, 2020 and December 14, 2020 (hereinafter referred to as the "**December 2020 Replies**"), the Company confirmed that it had not received any disclosures from the said Noticee. In view of this communication, it was *prima facie* observed that the Noticee had failed to make the required disclosure under regulation 7(2)(a) of the PIT Regulations. Thereafter, SEBI initiated adjudication proceedings against the Noticee for the alleged violation of regulation 7(2)(a) of PIT Regulations in respect of the transactions in the Company's scrip under section 15A(b) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the "**SEBI Act**").

## B. APPOINTMENT OF ADJUDICATING OFFICER

5. Pursuant to the investigation, SEBI initiated adjudication proceedings against the Noticee and appointed the undersigned as the adjudicating officer *vide* order dated March 04, 2021 under section 19 of the SEBI Act read with sub-section (1) of section 15-I of the SEBI Act and rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the "**SEBI Adjudication Rules**") to inquire into and adjudge under section 15A(b) of the SEBI Act for the alleged violation of regulation 7(2)(a) of the PIT Regulations by the Noticee.

## C. SHOW CAUSE NOTICE, REPLY AND HEARING

6. A show cause notice (hereinafter referred to as "**SCN**") bearing reference no. EAD-8/PM/NJMR/20484/1/2021 dated August 23, 2021 was served on

the Noticee under rule 4 of the SEBI Adjudication Rules to show cause as to why an inquiry should not be held against him in terms of rule 4 of the SEBI Adjudication Rules and penalty should not be imposed under section 15A(b) of the SEBI Act for the violation alleged to have been committed by him. I note that the SCN was not delivered at the address of the Noticee. Thereafter, the SCN was served *vide* emails sent on October 06, 2021. I note that the said emails were delivered at the following email address of the Noticee "prasannabr.info@gmail.com". In the SCN, the Noticee was asked to indicate whether he would prefer a personal hearing before the adjudicating officer in the matter.

7. The allegations levelled against the Noticee in the SCN are summarized below as follows:

(i) SEBI *vide* email sent on August 03, 2020, called upon the Company, to provide the names and PAN of its employees, promoters, directors and persons falling under the purview of regulation 6(2) of the PIT Regulations for the period January 01, 2019 to March 31, 2019, duly certified as true and correct by their compliance officer.

(ii) The Company *vide* emails sent on August 07, 2020, August 10, 2020, August 12, 2020, August 25, 2020 and August 26, 2020 submitted the list of their promoters, directors, designated persons, their relatives and employees in India for the period January 01, 2019 to March 31, 2019.

(iii) On receipt of the aforesaid data from the Company, SEBI conducted an analysis of the trading data received from BSE Limited (hereinafter referred to as "**BSE**") and National Stock Exchange of India Limited (hereinafter referred to as "**NSE**") with respect to the employees of the Company, in the Company's scrip, and it was observed that the Noticee had executed transactions aggregating to a traded value in excess of Rs 10,00,000 in a calendar quarter *i.e.,* from January 01, 2019 till March 31, 2019.

(iv) In terms of the provisions of regulation 7(2)(a) of the PIT Regulations, as it existed at the time the Noticee committed the alleged violation, promoters, employees and directors of every company were required to disclose to the company the number of securities acquired or disposed of, within two trading days of such transaction, if the value of the securities traded, whether in one transaction or a series of transactions over any calendar quarter, aggregated to a traded value in excess of Rs 10,00,000.

(v) However, it was observed that the Noticee did not disclose his transactions in Company's scrip which exceeded Rs 10,00,000 in value in the calendar quarter from January 01, 2019 to March 31, 2019 to the Company, as confirmed by the Company, *vide* the December 2020 Replies.

(vi) Given the above, it was alleged that the Noticee had violated regulation 7(2)(a) of the PIT Regulations. The alleged violation, if established, makes the Noticee liable for monetary penalty under section 15A(b) of the SEBI Act.

8. In line with the principles of natural justice, the undersigned granted an opportunity of personal hearing to the Noticee on December 17, 2021 *vide* notice of hearing sent *vide* email on December 10, 2021. In view of the prevailing circumstances owing to COVID-19, the hearing was scheduled through video conferencing on cisco webex platform. The Noticee was informed *vide* the aforesaid hearing notice that despite delivery of the SCN along with the annexures on his email address, he has not submitted a reply yet with respect to the charges levelled therein. *Vide* email sent on December 10, 2021, the Noticee confirmed his attendance for the hearing and submitted the following which has been reproduced verbatim from the email:

*“Was doing trading long back, but I stopped recently.  and I paid the penalty of 30.000 RS.*

*Please guide me what to do next and will be available on december 17 10AM. Please share the meeting details.”*

9. On the scheduled hearing date, the Noticee appeared before me through video conference. The Noticee was again informed that no reply has been submitted by him yet with respect to the current adjudication proceedings. In light of the above, the Noticee requested for time till December 22, 2021 to make submissions, which was acceded to. *Vide* email sent on December 22, 2021, the Noticee submitted his reply to the SCN. The relevant extract of the aforesaid reply is reproduced below verbatim:

*“As per show cause notice received, below are the point needed to highlight*

*-  was not aware of the inside training rules, its complete lack of knowledge.*

*- have paid the 30000rs to sebi as a penalty*

*- Since am working as a technical side, don't have any relationship with the management side.*

*- Have nearly lost 50k in trading sessions.*

*- Have not done any trading on window time.*

*Am requesting you to consider my sincere apologies for this mistake. and it will not repeat again.”*

## D. CONSIDERATION OF ISSUES AND FINDINGS

10. I have taken into consideration the material available on record. The issues that arise for consideration in the present case are as follows:

I. Whether the Noticee has violated regulation 7(2)(a) of the PIT Regulations?

II. Does the violation, if any, attract monetary penalty under section 15A(b) of the SEBI Act?

III. If the answer to Issue No. 2 is in affirmative, then what should be the quantum of monetary penalty?

**I. Issue No. 1: Whether the Noticee has violated regulation 7(2)(a) of the PIT Regulations?**

11. Before moving forward, it is pertinent to refer to the relevant provision of the PIT Regulations alleged to have been violated by the Noticee. The said provision is reproduced hereunder:

***Disclosures by certain persons.***
*7. (2) Continual Disclosures.*
*(a). Every promoter [1][member of the promoter group], [2][designated person] and director of every company shall disclose to the company the number of such securities acquired or disposed of within two trading days of such transaction if the value of the securities traded, whether in one transaction or a series of transactions over any calendar quarter, aggregates to a traded value in excess of ten lakh rupees or such other value as may be specified;*

*[1] Inserted by Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2019 (w.e.f. January 21, 2019).*
*[2] Substituted for the word "employee" by Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2018 (w.e.f. April 01, 2019) (hereinafter referred to as the "**PIT 2018 Amendment Regulations**").*

12. I note from the material available on record that the Noticee was an employee of the Company during the Investigation Period. On perusal of the transaction details of the Noticee, I note that the Noticee had traded in excess of Rs 10,00,000 in the Company's scrip during the Investigation Period (*i.e.,* calendar quarter from January 01, 2019 to March 31, 2019). The details of the said trades of the Noticee are tabulated below:

| Traded value at NSE cash segment (in Rs) | Traded value at NSE derivatives segment (in Rs) | Traded value at BSE cash segment (in Rs) | Total traded value (BSE and NSE) (in Rs) | No. of occasions transactions executed |
|---|---|---|---|---|
| 0 | 40,871,580 | 0 | 40,871,580 | 17 |

13. I note from the table given in the paragraph above that the Noticee had executed seventeen transactions through which the total traded value of the Noticee in the said calendar quarter amounted to Rs. 40,871,580 which is in excess of Rs 10,00,000.

14. Regulation 7(2)(a) of the PIT Regulations, as it existed at the time the Noticee committed the alleged violation (*i.e.,* before the PIT 2018 Amendment Regulations came into force), provided that certain specified entities (such as employees) are required to submit disclosures to the company within two trading days of transactions, if the value of the securities traded, in one transaction or a series of transactions, aggregates to a traded value in excess of Rs 10,00,000 over any calendar quarter.

15. I note from the reply of the Noticee that he has not disputed the following allegations levelled in the SCN that: (i) he was an employee of the Company during the Investigation Period; (ii) he had executed trades in excess of Rs 10,00,000; and (iii) he had not filed the requisite disclosures within the time stipulated under regulation 7(2)(a) pursuant to the trades executed by him. I note from the material available on record that the Company *vide* the December 2020 Replies has confirmed that the Noticee did not submit the

disclosure within the time specified under the aforesaid regulation for the trades undertaken by him during the Investigation Period.

16. Coming to the submissions of the Noticee as provided in paragraph 9 above, I note that his foremost submission is that he was not aware of the PIT Regulations. I do not find any merit in the aforesaid submission. The Noticee cannot feign ignorance of the requirement to disclose his transactions under regulation 7(2)(a) of the PIT Regulations, as it goes against the legal principle of "*ignorantia juris non excusat*" which translates into ignorance of law is not an excuse. The legal principle is justified on the grounds of necessity because if there is relaxation in the application of this principle, every accused will take the plea that he did not know the law and it would become onerous for the adjudicating authority to prove knowledge. This has also been explained by John Salmond, in one of his revered works, "*Jurisprudence or the Theory of the Law",* wherein he has stated that one of the main reasons for the strict application of the aforesaid principle is due to the evidential difficulties that would be faced by the adjudicating authority for establishing knowledge of law. The relevant text from his aforesaid work is reproduced below verbatim:

*"In the second place, even if invincible ignorance of the law is in fact possible, <u>the evidential difficulties in the way of the judicial recognition of such ignorance are insuperable, and for the sake of any benefit derivable therefrom it is not advisable to weaken the administration of justice by making liability dependent on well nigh inscrutable conditions touching knowledge or means of knowledge of the law</u>. Who can say of any man whether he knew the law, or whether during the course of his past life he had an opportunity of acquiring a knowledge of it by the exercise of due diligence?....." (emphasis supplied)*

In relation to the above, I note that the Hon'ble Securities Appellate Tribunal (hereinafter referred to as "**SAT**") in the matter of ***Madanchand Prasan Chand Chordia vs. SEBI*** (Appeal No. 134 of 2014), dated June 16, 2014, has relied on the aforesaid principle for dismissing the contention of the appellant that he was not aware of the relevant regulations by stating the following:

*"The main contention of the appellant, who has appeared in person before us, is that he was not aware about the requirement of law in making disclosure as a part of SAST Regulations, 2011 and PIT Regulations, 1992. We note that ignorance of law is not an excuse."* (emphasis supplied)

17. Further, the Noticee has submitted in his reply that he was employed in a technical role with the Company and he did not have any relationship with its management. In this regard, it is pertinent to note that the alleged violation committed by the Noticee fell between the period extending from January 01, 2019 to March 31, 2019, and the PIT 2018 Amendment Regulations which substituted the word "employee" with "designated person" under regulation 7(2)(a) came into effect from April 01, 2019. Therefore, the provisions of the PIT 2018 Amendment Regulations do not apply to the Noticee. In light of this, I find that the aforesaid submission of the Noticee is irrelevant to the facts of the present matter as the words of regulation 7(2)(a) at the time the Noticee committed the alleged violation were crystal clear that the regulation demands continual disclosures from all employees irrespective of the position/designation of the employee, the level of access the employee possesses with respect to the information of the company and his/her connection with the management.

18. As for the submission of the Noticee that he has incurred a loss of Rs 50,000 due to the concerned transactions, I find it relevant to refer to the order passed by the Hon'ble SAT in ***Akriti Global Traders Ltd. vs. SEBI*** (Appeal no.78 of 2014), decided on September 30, 2014, wherein it held that "*Argument of appellant that the delay was unintentional and that the appellant has not gained from such delay and therefore penalty ought not to have been imposed is without any merit, because, firstly, penal liability arises as soon as provisions under the regulations are violated and that penal liability is neither dependent upon intention of parties nor gains accrued from such delay..*". Further, in ***Gaylord Commercial Company***

***Limited vs. Securities and Exchange Board of India*** (Appeal No. 62 of 2014), decided on dated April 10, 2014, the appellant was penalised for disclosure violation under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. However, the ratio of the Hon'ble SAT holds relevance in the present case as well, it held that *"…..Argument that the appellant is a small company and has not violated any provisions in the past, that the delay in making disclosures has neither caused any loss to investors <u>nor the appellant has gained any benefits on account of delay in making disclosures do not merit consideration</u>, because, liability to pay penalty under Section 15A(b) of SEBI Act, 1992 has to be computed on the basis of each day during which the failure to comply with the regulation has continued and liability to pay such penalty is not dependent upon the fact as to whether such failure has occurred for the first time or not. <u>Similarly, fact that no loss has occurred to the investors or that the appellant has not gained on account of delay in making disclosures would not be a ground for the appellant to escape penalty for failure to make disclosure within the stipulated time</u> <u>However, those factors being mitigating factors,</u> AO after considering all those mitigating factors has imposed penalty of Rs 2 lac as against penalty of Rs 1 crore imposable upon the appellant, which is fair and reasonable." (emphasis supplied).* In view of the orders referred above, I find that the aforesaid submission of the Noticee deserves dismissal.

19. In his reply, the Noticee has also submitted that he has not traded during the period when the trading window was closed. I find this submission of the Noticee is misplaced as the conduct of the Noticee with respect to the trading window obligations under the PIT Regulations has no bearing on the present matter which pertains to the failure of the Noticee to disclose trades executed in excess of Rs 10 lakhs over a calendar quarter under regulation 7(2)(a) of the PIT Regulations.

20. The requirement to submit disclosures under the PIT Regulations in the manner prescribed and within the stipulated time is sacrosanct as it enables the public to make an informed investment decision in a timely manner. By not submitting the requisite disclosures in the time specified, the concerned

persons deprive the investing public of their statutory rights. Further, the disclosure also enables the regulator to properly monitor the transactions in the capital market to regulate the same effectively. Thus, disclosure violation affects multiple stakeholders and impacts the entire securities market. In view of the paragraphs above, I find that none of the submissions of the Noticee have been able to convince me that his acts have not fallen foul of the requirement under regulation 7(2)(a) of the PIT Regulations, and therefore, I find that the aforesaid violation against him is sufficiently established.

**II. Issue No 2: Does the violation, if any, attract monetary penalty under section 15A(b) of the SEBI Act?**

21. I note that the Apex Court in the case of ***The Chairman, SEBI vs. Shriram Mutual Fund and Ors.*** (Civil Appeal Nos. 9523-9524 of 2003), decided on May 23, 2006, has held that *"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established."*

22. Further, in ***Mr. Ankur Chaturvedi vs. SEBI*** (Appeal no. 434 of 2014) decided on August 04, 2015, the Hon'ble SAT has held that *"As rightly pointed out by the adjudicating officer the entire securities market stands on disclosure based regime and accurate and timely disclosures are fundamental in maintaining the integrity of the securities market. Therefore, omission on the part of the appellant in failing to make disclosures was detrimental to the interest of the investors in the securities market and hence no fault can be found with the decision of SEBI in imposing penalty…."*

23. In view of the judgments/orders referred above and the fact that the Noticee has violated regulation 7(2)(a) of the PIT Regulations, I am of the view that a monetary penalty needs to be imposed upon the Noticee under section 15A(b) of the SEBI Act, which reads as under:

***Penalty for failure to furnish information, return, etc.***

***15A.*** *If any person, who is required under this Act or any rules or regulations made thereunder:*

***(b)*** *to file any return or furnish any information, books or other documents within the time specified therefor in the regulations, fails to file return or furnish the same within the time specified therefor in the regulations, [3][or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents], he shall be liable to a penalty [4][which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees].*

*[3] Inserted by the Finance Act, 2018 w.e.f. 08-03-2019.*
*[4] Substituted for the words "of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less" by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014.*

**III. Issue No 3: If the answer to Issue no. 2 is in affirmative, then what should be the quantum of monetary penalty?**

24. While determining the quantum of monetary penalty under section 15A(b) of the SEBI Act, I have considered the factors stipulated in section 15J of the SEBI Act, which reads as under:

***Factors to be taken into account while adjudging quantum of penalty***
*While adjudging quantum of penalty under [5][15-I or section 11 or section 11B, the Board or the adjudicating officer] shall have due regard to the following factors, namely :—*
*(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
*(b) the amount of loss caused to an investor or group of investors as a result of the default;*

*(c) the repetitive nature of the default.*

*[6][Explanation: For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.]*

*[5] Substituted for the words "section 15-I, the adjudicating officer" by the Finance Act, 2018 w.e.f. 08-03-2019.*

*[6] Inserted by Part VIII of Chapter VI of the Finance Act, 2017 vide Gazette Notification No. 7, Extraordinary Part II Section 1 dated March 31, 2017. This shall come into force from April 26, 2017.*

25. In the instant case, it is not possible from the material on record to quantify the amount of disproportionate gain or unfair advantage resulting from the default of the Noticee in submitting timely disclosures or the consequent loss caused to investors as a result of the aforesaid default. With respect to the repetitive nature of the default, it is important to note that the Noticee has violated the provisions of regulation 7(2)(a) of the PIT Regulations on seventeen occasions during the Investigation Period. Hence, the violation committed by the Noticee is repetitive in nature. Further, I note that the Noticee has submitted that he has remitted Rs 30,000 to the Investor Education and Protection Fund (IEPF) with respect to the disclosure violation in the present case, however, the Noticee has not submitted any documentary evidence to support the aforesaid claim.

26. In the present matter, the facts of the case clearly establish the violation committed by the Noticee. Accordingly, I consider it necessary to impose a monetary penalty which would act as a deterrent to the Noticee in future.

## E. ORDER

27. After taking into consideration the nature and gravity of the violation established in the preceding paragraphs and in exercise of the powers conferred upon me under section 15-I of the SEBI Act read with rule 5 of

the SEBI Adjudication Rules, I hereby impose a penalty of Rs 1,00,000 (Rupees One Lakh Only) on the Noticee *i.e.,* Bankri Rudraswamy Prasanna Kumar under section 15A(b) of the SEBI Act. I am of the view that the penalty imposed on the Noticee is commensurate with the violation committed by him.

28. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of demand draft in favor of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, or through online payment facility available on the SEBI website **www.sebi.gov.in** on the following path by clicking on the payment link.

**ENFORCEMENT→ ORDERS→ ORDERS OF AO → PAY NOW**

29. The Noticee shall forward the said demand draft or the details / confirmation of penalty so paid through e-payment to the Division Chief, Enforcement Department-I, DRA-I, SEBI, in the format given in table below:

| | |
|---|---|
| Case name | |
| Name of payee | |
| Date of payment | |
| Amount paid | |
| Transaction no | |
| Bank details in which payment is made | |
| Payment is made for | Penalty |

30. In terms of rule 6 of the SEBI Adjudication Rules, copies of this order are sent to the Noticee and SEBI.

**Date: March 02, 2022**
**Place: Mumbai**

**PRASANTA MAHAPATRA**
**ADJUDICATING OFFICER**